



**THE CITY OF SAN DIEGO
M E M O R A N D U M**

OFFICE OF THE INDEPENDENT BUDGET ANALYST

DATE: June 21, 2013

TO: Members of the Budget and Finance Committee

FROM: Andrea Tevlin, Independent Budget Analyst

A handwritten signature in black ink that reads "Andrea Tevlin".

SUBJECT: FY 2014 Statement of Budgetary Principles Development
Item 4 - June 26, 2013 Budget and Finance Committee

The Statement of Budgetary Principles was first put into place in FY 2008 to address issues of budgetary authority and communication of budget changes between the Executive and Legislative branches following budget adoption each year. For the past five fiscal years, the Statement of Budgetary Principles has been adopted by the City Council as a companion resolution to the Appropriation Ordinance (AO) in order to preserve the intent of the AO as a true appropriation setting document rather than a policy document. Per the Council approved Fiscal Year 2014 Budget Process Key Dates, the AO is to be brought to the Budget and Finance Committee on July 17, 2013 and for Council consideration on July 22, 2013. The Principles represent an annual agreement between the Council and the Mayor, which we recommend be continued in FY 2014.

The attached draft of the Statement of Budgetary Principles is updated and slightly modified from the version adopted by Council for FY 2013. The modifications in this draft include the addition of budget related items from the "Ten Fundamental Principles for an Effective, Cooperative, and Transparent Mayor-Council Form of Government" previously adopted by Council on October 15, 2012, and other minor modifications. This draft of the Statement of Budgetary Principles has been discussed with the Interim Chief Financial Officer and the Director of Financial Management, but has not yet been reviewed by the Office of the Mayor. Mayoral staff plan to meet with the Mayor to discuss these Principles in the next couple weeks.

This draft of the Statement of Budgetary Principles is provided for the June 26, 2013 Budget and Finance Committee for discussion and further direction. Following Mayoral review and input, we plan to bring this back to the Budget and Finance Committee on July 17, 2013 and to Council shortly thereafter.

Attachment: Strike-Out FY 2014 Statement of Budgetary Principles

cc: Jeff Sturak, Financial Management Director
Greg Bych, Interim Chief Financial Officer
Scott Chadwick, Interim Chief Operating Officer
Francisco Estrada, Director of Council Affairs

FY ~~2013-2014~~ STATEMENT OF BUDGETARY PRINCIPLES

WHEREAS, pursuant to section 265(b)(15) of the City Charter the Mayor is required to propose a budget to the Council and make it available for public view no later than April 15 of each year; and

WHEREAS, on April ~~11, 2012~~15, 2013, the Mayor released the Fiscal Year ~~2013~~2014 Proposed Budget to the Council and to the public; and

WHEREAS, the Council has duly considered the Mayor's Fiscal Year ~~2013-2014~~ Budget; and

WHEREAS, between May ~~2-1~~ and ~~June 11~~June 10, 2012-2013 the City Council held more than two public hearings to consider the City's Fiscal Year ~~2013-2014~~ Budget in accordance with San Diego Charter sections 290(b) and 71, and at such meetings members of the public were invited to comment on and ask questions about the Fiscal Year ~~2013-2014~~ Budget; and

WHEREAS, on May ~~25~~22, 20122013, the Mayor's May revision (May Revision) to the Proposed Budget was presented to the City Council; and

WHEREAS, Council members submitted their budget ideas to the Independent Budget Analyst on ~~June 1, 2012~~May 31, 2013 to assist with the development of final budget recommendations; and

WHEREAS, on May ~~23, 2012~~21, 2013, the Chief Operating Officer and the Financial Management Director provided the City Council with their May Revision to the Fiscal Year ~~2013-2014~~ Proposed Budget (May Revision); and

WHEREAS, on June ~~6, 2012~~5, 2013, the Independent Budget Analyst's Final Budget Report and Recommendations on the FY ~~2013-2014~~ Budget (IBA Review of the FY ~~2013-2014~~ May Revise and Recommended Revisions to the Mayor's FY ~~2013-2014~~ Budget) was issued; and

WHEREAS, on June ~~11, 2012~~10, 2013, the City Council approved the City's Fiscal Year ~~2013-2014~~ Budget, including the Mayor's Proposed Budget, as modified by the May Revision, the Supplemental May Revise, and including the recommendations in the IBA Final Report on the FY 2013-2014 Budget, dated June 5, 2013, with revisions proposed by the City Council, and directed the City Clerk to return the same to the Mayor for his consideration under Charter section 290(b)(2); and; and

WHEREAS, on June ~~26, 2012~~XX, 2013 the Mayor approved the Fiscal Year ~~2013-2014~~ Budget, in accordance with Charter section 290(b)(2)(A); and

WHEREAS, in accordance with Charter section 290(b)(2), on June ~~26, 2012~~XX, 2013 -the Fiscal Year 2013-2014 Budget became the controlling document for purposes of preparing the annual appropriation ordinance; and

WHEREAS, pursuant to Charter section 71 and 290(c), the Council is required to adopt an appropriation ordinance during the month of July to establish budgetary appropriations for the Fiscal Year 2013-2014 Budget; and

WHEREAS, the Mayor and the Council acknowledge that the Fiscal Year ~~2013~~2014 Budget reflects the best estimate of the Mayor and the Council regarding projected revenues and expenditures and that such estimate is simply a financial plan that may require adjustments in view of the available resources; and

WHEREAS, the City Council adopted Ordinance 20084 on August 4, 2011, which outlined amendments to the Municipal Code in regard to reporting mid-year budget adjustments to address any projected surplus or deficit in addition to reporting significant reductions in programs or services; and

WHEREAS, this Statement of Budgetary Principles is intended to facilitate better communication on fiscal matters between the Council and the Mayor and to establish a framework for the administration by the Mayor of the Fiscal Year 2013-2014 Budget in light of the respective duties of the Mayor as Chief Executive Officer and Chief Budget Officer of the City, and the duties of the Council as the legislative and policy setting body of the City, and in light of the obligation of public officials to keep the public apprised of the conduct of the City's financial affairs;

WHEREAS, the City Council adopted Resolution 307737 on October 15, 2012, with the Mayor subsequently signing the Resolution on October 23, 2012, establishing ten fundamental principles for an effective, cooperative and transparent Mayor-Council form of government in the City of San Diego ("Ten Fundamental Principles").

Accordingly, the Mayor and the Council hereby agree to adhere to the following budgetary principles for the Fiscal Year 2013-2014 Budget:

Fiscal Year 2013-2014 Budget---Communication on Proposed Program / Service Changes

1. The Mayor, or his designee, will provide reports to the Council on a quarterly basis regarding the administration of the affairs of the City. These reports can be given verbally, and are intended to improve the flow of information between the Mayor, Council and public.
2. The Council President will provide time on the Council's agenda for the Report of the Mayor.

3. Consistent with O-20084, prior to any ~~significant~~ reduction in service levels or elimination of programs or services ~~affecting the community as represented and funded in the FY 2014 Adopted Budget~~, the Mayor, or designee, shall provide written notice to the City Council regarding such reductions and provide a fiscal justification thereof and a description of expected service levels impacts. ~~In the event there is any disagreement between the Mayor and City Council regarding what constitutes a significant reduction, the City Council may establish specific funding reduction levels by resolution.~~
4. Notwithstanding the forgoing, the Mayor need not provide prior written notice of any change or modification that results in a more efficient delivery of public services and that accomplishes the legislative intent. However, in these circumstances the Mayor is requested to provide the Council with an informational memo upon implementation.

Fiscal Year ~~2013-2014~~ Budget---Appropriation Ordinance

1. Neither the Mayor nor the Council has unilateral authority to make changes to the spending authority contained in the Fiscal Year ~~2013-2014~~ Budget.
2. The Mayor shall in good faith fulfill the legislative intent reflected in the adopted Fiscal Year ~~2013-2014~~ Budget, including the appropriations reflected in the Fiscal Year ~~2013-2014~~ Appropriation Ordinance. However, the Mayor has discretion to effectively and efficiently spend public monies, and shall not be obligated to spend all the money the Council has appropriated if there is a less costly means of accomplishing the Council's stated purposes.
3. The Council shall have no authority to make or adopt changes to the Fiscal Year ~~2013-2014~~ Budget without first receiving a funding recommendation of the Mayor. The Mayor will provide such funding recommendation within 30 calendar days of the Council request, or such later period as contained in the request of the Council.
4. In accordance with Charter sections 28 and 81, the Mayor has the authority to allocate Fiscal Year ~~2013-2014~~ Budget appropriations within departments in order to best carry out the Council's legislative intent.
5. The Appropriation Ordinance implements the Fiscal Year ~~2013-2014~~ Budget, as approved by the Council. The Appropriation Ordinance shall specify the spending authority by Department and by Fund, and all other conditions, authorizations and requirements appropriate therefore. The Appropriation Ordinance will include necessary budget delegation to carry

out the business of the City; provided however, the Appropriation Ordinance will not include Policy directions.

6. The Statement of Budgetary Principles applies to departments and programs that are under the direction and authority of the Mayor, and shall not apply to offices independent of the Mayor. This Statement of Budgetary Principles is subject in all respects to the provisions of the City Charter.

Fiscal Year 2014 Budget – “Budget-Related Fundamental Principles for an Effective, Cooperative, and Transparent Mayor-Council Form of Government” applying to budget implementation

1. The “Structural Budget Deficit Principles” adopted by Council on February 22, 2010 and outlined in Resolution 305615 should be continually adhered to ensuring a structurally balanced budget.
2. The Mayor will update the City’s Five-Year Financial Outlook in November 2013 and present the results to the Budget and Finance Committee and City Council.
3. Starting in Fiscal Year 2015, the Mayor will issue quarterly stand-alone “City of San Diego Quarterly Performance Reports” to the City Council, which will also be made available on the City’s website.
- ~~1.4.~~ The Mayor will address the City's deferred capital backlog by implementing funded projects in a timely and cost effective manner and working with the Council to identify resources necessary to address remaining unfunded deferred capital as well as new infrastructure needs.